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ABSTRACT

This discussion begins with the five major political values that were reflected in the 1973 reform of the Illinois school aid system. The lawmakers wanted to spend state dollars for education in a way that would improve student and taxpayer equity, maintain local control of school districts, aid poverty-impacted districts, not discriminate against dual high school and elementary districts, and greatly increase the amount of money the state pays for education. The reform yielded four funding options from which each school district could select the most profitable each fiscal year. The options included the three previous options of the Strayer-Haig system (the "Strayer-Haig Formula," the "Alternate," and the "Flat Grant") plus the new formula--the "Resource Equalizer Formula." The new formula features reward for effort (equal expenditure for equal effort), guaranteed assessed valuation, and consideration of the number of disadvantaged students. A mathematical explanation of the resource equalizer formula, which is currently used in 76 percent of Illinois districts, is presented, as are mathematical formulas for the other three approaches. All the formulas are presented as they have been amended through 1979. (Author/IRT)

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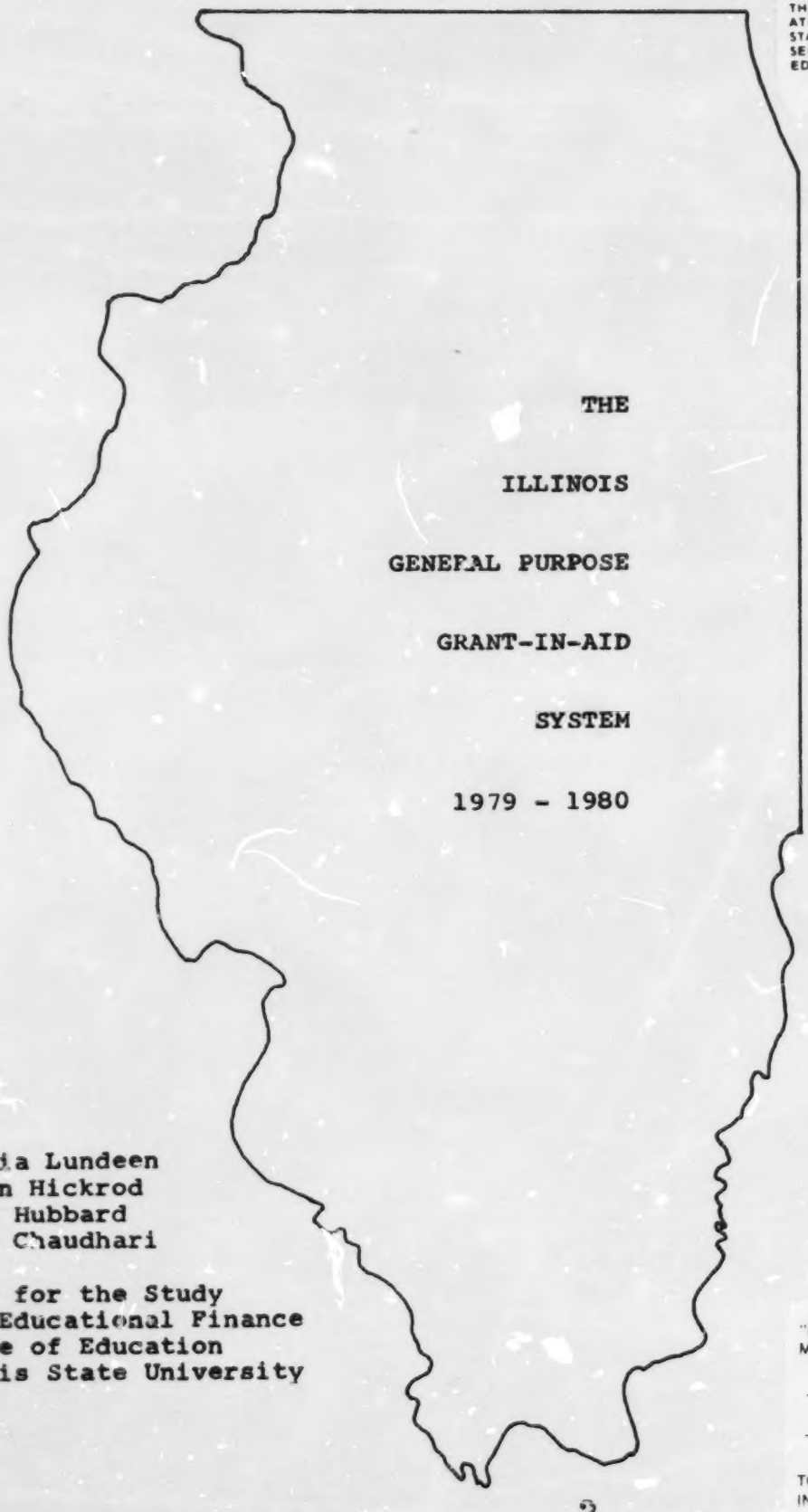

THE ILLINOIS GENEFAL PURPOSE GRANT-IN-AID SYSTEM 1979 - 1980

Virginia Lundeen
G. Alan Hickrod
Ben C. Hubbard
Ramesh Chaudhari

Center for the Study
of Educational Finance
College of Education
Illinois State University

EA 012 226

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THE ILLINOIS GENERAL PURPOSE GRANT-IN-AID SYSTEM

This discussion will begin with five major political values that were reflected in the 1973 reform of the Illinois State School Aid System.

The reform yielded four funding options from which each school district may select the most profitable method each fiscal year.

The three major features of the major funding option of the 1973 reform will be presented.

A mathematical explanation of this resource equalizer formula, the formula that includes these three major features and that currently funds 76% of the 1,012 school districts in Illinois, will be discussed. This formula incorporates a unique sub-formula for pupil count.

The mathematics of the three additional funding options still available to school districts in Illinois will be described.

All formulas will be presented <u>as they have been amended</u>, and therefore as the law reads in 1979. However, as a last part of this discussion, the six Jaffe amendments of 1976, the seven Harris/Richmond/Buzbee amendments of 1978, and the seven Stuffle amendments of 1979 will be presented.

The law as it has been amended reflects gradual changes in political values.

Political values vary, not only through time, but also among citizens and legislators. In the process of writing and enacting legislation to provide state financial aid to Illinois public school districts, at least five political values have predominated the process, and these values are reflected to varying degrees in the current funding process. Perhaps equity predominated the value structure of the 1973 reform before it was amended. Equity among students, to have access to a minimum acceptable level of education, has been incorporated into Illinois' funding of its public schools for many years, and was preserved in the 1973 legislation. New to the 1973 legislation was the additional feature of equity among taxpayers. (It had become apparent that two taxpayers, living in different school districts, could be paying the same tax rate for local school taxes, but receiving very different levels of educational services; this situation was addressed in 1973 within certain limits that will be described in detail.) Local control, another sacred cow among Illinois political values, continued throughout the 1970's to maintain a top priority in the state's value hierarchy. The number of school districts in Illinois has, through the emotional process of consolidation, dwindled from over 12,000 local dis-

tricts in the late 1940's to 1012 districts in 1979. Actually, "dwindled to 1012" would be a misleading description when Illinois' 1012 districts are compared with the numbers of school districts in other states. That is one fact that shows the high value that Illinois citizens place on local control of education. The funding of public schools for the education of Illinois children from kindergarten through twelfth grade is a local-state partnership, and it must be recognized that as the state continues to respond to unceasing demands to shoulder a greater percentage of the total tab, the treasured element of local control tends to decline. It seems that money talks, or at least has the potential for talking.

In addition to the political values of equity and of local control, which we have seen are neither synonymous nor totally compatible, Illinois citizens and legislators have demonstrated national leadership in providing aid to poverty-impacted school districts. As can be seen by reading section 18.8 of The School Code of Illinois as it read before 1973, a district size factor which was to give relief in the area of compensatory education was already a part of the law. The new law considers the ratio of local percent of poverty children to state percent of poverty children, and therefore can provide funds through this segment of the formula to any

size district. Currently, about one-fifth of the general state aid funds are spent to aid districts with students from poor families, as measured by proportions of students eligible for Title I funds according to the Elementary And Secondary Education Act, which is a federal act.

A fourth important political consideration of the 1973 reform was to provide funds to high school districts and elementary school districts at rates comparable to the funds being provided to unit districts. This fact also encouraged the continuation of small local districts. Not until 1979 were districts given any fiscal advantage for consolidation or merger. Public Act 81-97 (Illinois H.B. 0513, 1979) indirectly benefits consolidations by allowing supplemental claims to be filed only for "any newly organized school district, any district that has annexed a district or any portion of a district, and any district that has had a detachment of territory." End-of-year adjustments are eliminated in the 1979 Stuffle amendments by doing away with supplemental claims from other districts. "For the school year beginning July 1, 1979, the greater of the weighted average daily attendance for the 1978-79 school year or the average of the weighted average daily attendance for the 1977-78 and 1978-79 school years shall be used to compute the state aid entitlement. For any

school year beginning July 1, 1980, or thereafter, the greater of the immediately preceding year's WADA or the average of the WADA of the immediately preceding year and the previous two years shall be used."

Fifth in this discussion, but of overriding importance in financial and political impact, is the fact that the dollar level of state funding was substantially increased. With large additional amounts of state money for common schools, any funding formula would have to be faulty in its construction for it not to improve equity and channel money where it is most needed by at least some criterion. It is possible that the greatest plea from legislators in 1973 for a new system was supported by a very practical problem--local school districts needed more dollars.

In review of policy considerations, the 1973 General Assembly of the State of Illinois passed into law House Bill 1484, which was the final agreement among the lawmakers who then wanted to spend state dollars for public education in a way that would improve student equity, improve taxpayer equity, maintain local control of local school districts, not discriminate against dual high school and elementary districts, and greatly increase the amount of money the state pays to educate its citizens.

Through this grant-in-aid system, Illinois school districts were initially protected from revenue loss through a choice of four methods of calculating state aid--the three previous options of the Strayer-Haig system, known as the "Strayer-Haig Formula," the "Alternate" method, and the "Flat Grant," plus the new formula--whichever provided the greatest amount of funds.

The funding system has been known throughout the 1970's for this fourth option as the "Resource Equalizer Formula," and as a "Reward For Effort Formula." The new part of the Illinois funding system was a form of "DPE" or "District Power Equalization," but was not a true DPE system as usually described in the literature. (A true DPE system would provide for the recapture of tax monies from affluent local districts, as well as raise the spending levels of poor districts, to actually equalize educational opportunity, as measured by dollars spent per pupil unit, between school districts.) What Illinois has done since implementing the 1976 amendment that repealed tax roll-back has been to increase funds available to low-spending districts, without restricting the spending of any district. This does not mean that all districts have gained total dollars.

The State of Illinois today computes the amount of each school district's grant-in-aid by each of the four methods. However, no district may receive more than

135% of its previous annual grant in any given year, whatever its calculated increase. Combining these two factors, the actual grant for a district is the lesser of these two items: (1) the greater of the results of the four calculations (Strayer-Haig + 75%, Alternate + 75%, Flat Grant + 75%, or Resource Equalizer) and (2) 135% of the previous year's actual claim. Because the revision of the formula has been underway for seven years, all but a few school districts now make the maximum claim annually.

Three major features of the Resource Equalizer Formula are reward for effort (equal expenditure for equal effort), guaranteed assessed valuation, and pupil count.

(1) Reward For Effort (Equal Expenditure For Equal Effort)

A. The State of Illinois matches the district's own tax rate within specified limits. As of the 1979 Stuffle amendments, the "district's own tax rate" applies only to elementary districts with tax rates lower than $1.28 per $100 assessed valuation and to unit districts with tax rates lower than $2.18 per $100 assessed valuation. All other districts now receive state aid 1) at the guaranteed rates if their actual rates equal or exceed these

guarantees or 2) on a 3-year phase-in plan from their own tax rate to the guaranteed rate.

B. The guaranteed tax rate will yield combined state and local revenue of approximately $1363 per pupil.

C. Any two districts with the same tax rate (from the new minimums up to the matchable rates) will receive the same combined state and local revenue per pupil. Beyond that it is possible to have additional local funding.

(2) Guaranteed Assessed Valuation--The State of Illinois pays the tax rate as outlined in A above times the amount of real estate assessed valuation that the district lacks of the guaranteed assessed valuation per pupil unit.

(3) Pupil Count--The State of Illinois uses the district Title I count (the number of children ages five to seventeen for whom the district receives federal aid for Title I of the Elementary and Secondary Education Act) to calculate the concentration of poverty-level children in the district compared to the state average. This concentration factor is added to the weighted average daily attendance.

School districts with a concentration of Title I pupils above the state average (and with a total pupil attendance of 1,000 or more) must submit a plan for the expenditure of these funds to enhance the education of disadvantaged children.

Following is the calculation for the Resource Equalizer Formula.

Resource Equalizer Formula:

$G = TWADA \times T \times (AV_g - AV_i / TWADA)$, where

G is the state grant-in-aid

TWADA is the Title I weighted average daily attendance, calculated according to the second formula

T is the district's tax rate for operating purposes, that is, the tax rate for all funds that spend money, not including debt service and capital improvements; this rate did not include transportation tax rate in the original 1973 formula, but does now. The maximum rates for use in this formula are, in 1979, as follows:

$2.83/$100 assessed valuation for unit districts

$1.86/$100 assessed valuation for elementary districts

$1.05/$100 assessed valuation for high school districts

The minimum rates for participation in the 3-year phase-in program toward the use of the above maximums as calculating rates are:

$1.28/$100 assessed valuation for elementary districts

$2.18/$100 assessed valuation for unit districts

AV_g is the guaranteed assessed valuation per TWADA

$ 48,163 for unit districts

$ 73,280 for elementary districts

$129,810 for high school districts

AV_i is the actual assessed valuation per TWADA in the individual district

TWADA Formula for the Resource Equalizer:

$$TWADA = WADA_i + TI_i \frac{\frac{TI_i}{WADA_i}}{\frac{TI_s}{WADA_s}} .50$$ where

TI = Title I count; the number of children (5-17) receiving aid for families with dependent children

WADA = The average daily membership of the district weighted for high school students (1.25) and kindergarten students (.50)

I = Individual district subscript

S = State subscript

This legislation responded to the needs and political values of many types and sizes of school districts throughout the state in 1973. It did not initially offer much for rural districts, which now benefit somewhat by the inclusion of the transportation tax rate in calculating operating tax rate.

The remaining three options were available to school districts before the 1973 reform.

The Strayer-Haig system dates back to 1927 and has, of course, been modified through the years. This Strayer-Haig formula had two modifications in the 1973 legislation--a Title I weighting in the pupil count and an increase in the add-on from 19% of the formula to 25% of the formula. This add-on factor was changed to 50% by the 1978 General Assembly, and to 75% by the 1979 Assembly. The Title I weighting of the Resource Equalizer formula is not used, but .50 x Title I count is added to WADA.

The Strayer-Haig Formula is:

G = TWADA x F - (T x AV), where

G = State Grant-In-Aid

TWADA = (District Title I Eligibles x .50) + WADA

WADA = Average daily attendance weighted 1.25 for high school students and .5 for kindergarten students

F = The Foundation Level, $520

T = The Qualifying Operating Tax Rate:

$1.08/$100 for unit districts

0.90/$100 for dual districts with less than 100 WADA

0.84/$100 for dual districts with 100 or more WADA

AV = District Assessed Valuation

The formula for the "Alternate Method" (Applicable only to districts receiving less than $120 per TWADA):

G = (X x AV/TWADA) x $120 x TWADA, where

X = $47,619 for dual districts with 100 or more TWADA,

$44,444 for dual districts with less than 100 TWADA,

$37,037 for unit districts.

The final option, the Flat Grant = TWADA x $48.00

Note that the Alternate Method and the Flat Grant Method are options on the Strayer-Haig system; therefore, the TWADA is calculated according to the Strayer-Haig Method.

Phase-out of Tax Equivalent Grants--Tax equivalent grants to a very few districts where State institutions are located will be omitted from the State aid system on 7-1-1981.

THE RESOURCE EQUALIZER FORMULA

AS AMENDED IN 1979

$$G = TWADA \times T \times (AV_g - AV_i / TWADA)$$

where

G is the state grant

TWADA is the Title I Weighted Average Daily Attendance**

T is the district's tax rate for operating purposes; that is, the tax rate for all funds that spend money, not including debt service and capital improvements; this rate now includes transportation tax rate.

The maximum matchable rates for use in this formula are as follows:

$2.83/$100 assessed valuation for unit districts
1.86/ 100 assessed valuation for elementary districts
1.05/ 100 assessed valuation for high school districts

The minimum access rates to a 3-year phase-in from current rates to maximum calculating rates are:

$1.28/$100 assessed valuation for elementary districts
2.18/ 100 assessed valuation for unit districts

AV_g is the guaranteed assessed valuation per TWADA for each type of district as follows:

$48,163 for unit districts
73,280 for elementary districts
129,810 for high school districts

AV_i is the assessed valuation/TWADA in the individual district

$$**TWADA = WADA_i + TI_i \left[\frac{\frac{TI_i}{WADA_i}}{\frac{TI_s}{WADA_s}} \right] .50,$$ where

TI = Title I count
WADA = Average Daily Attendance, weighted { 1.25 for high school pupils; .5 for kindergarten pupils }
i = individual district
s = state

Maximum TWADA Count = .675 WADA + WADA

THE STRAYER-HAIG SYSTEM

I. $G = \text{Strayer-Haig TWADA} \times F - (T \times AV)$, where

G is the state grant

F is the foundation level, $520

T is the qualifying operating tax rate:

$1.08/$100 for unit districts
.90/ 100 for dual districts with less than 100 WADA
.84/ 100 for dual districts with 100 or more WADA

AV is the district assessed valuation

ALTERNATE METHOD

II. $G = (X \div AV/\text{Strayer-Haig TWADA}) \times \$120 \times \text{Strayer-Haig TWADA}$, where

X is $47,619 for dual districts with 100 or more Strayer-Haig TWADA
$44,444 for dual districts with less than 100 Strayer-Haig TWADA
$37,037 for unit districts

FLAT GRANT FORMULA

III. $G = \text{Strayer-Haig TWADA} \times \$48.00$

Strayer-Haig TWADA = (District Title I eligibles x .50) x WADA

Strayer-Haig TWADA = (District Title I eligibles x .50) x WADA

WADA is the average daily attendance weighted:

1.25 pupils in grades 9-12
1.00 pupils in grades 1-8
.50 pupils in kindergarten

IV. All calculations under options II, III, & IV are increased by 75%.

V. The district receives the lesser of:

a. the greatest yield of the four options

b. 135% of the previous year's claim

THE 1976 AMENDMENT'S TO

The 1973 Reform of The Illinois General Purpose Grant-In-Aid System

1. A district may use the average of the last three years' enrollments in calculating WADA (Weighted Average Daily Attendance)

2. The maximum tax rates were reduced:

for unit districts	from $3.00/$100 to $2.90/$100
for elementary districts	from $1.95/$100 to $1.90/$100

   and the guaranteed assessed valuation per TWADA was correspondingly increased:

for unit districts	from $42,000 to $43,500
for elementary districts	from $64,615 to $66,300

3. A district may include transportation rate in its operating tax rate that the state will use.

4. The 1973 tax roll-back requirements for high tax districts was repealed.

5. Districts were saved harmless on these amendments for one year.

6. The penalty for operating school for less than a legal school year was reduced.

THE 1978 AMENDMENTS TO

The 1973 Reform of The Illinois General Purpose Grant-In-Aid System

This amendment makes the following changes in the general state aid formula:

1. The Strayer-Haig add-on was increased from 25% to 50%.

2. The limit for an annual increase in claims for all districts was increased from 25% to 35%.

3. The .375 Title I factor was increased to .45, and the .75 Title I factor was decreased to .675.

4. No entitlement claim for 78-79 shall be less than 90% of the 77-78 claim.

5. The guarantee per pupil was increased from $43,500 to $45,689 in unit districts, from $66,300 to $69,516 in elementary districts, and from $120,000 to $123,143 in high school districts. The operating tax rate limit in unit districts was decreased from 2.90% to 2.83%, and in elementary districts from 1.90% to 1.86%. (This guarantees revenue per pupil in the amount of $1293.)

6. The provisions of the Emil Jones bill on Title I students was included, providing that state aid generated by the inclusion of a Title I addition to the ADA shall be distributed to the attendance centers where these disadvantaged pupils are enrolled. It further provides that school districts with a concentration of Title I pupils above the state average shall submit a plan for the expenditure of these funds to enhance the education of disadvantaged children. This means that some 175 districts will have to submit such a plan.

7. Total state appropriations for K - 12 educated were increased over FY'78 appropriations from $1,290,200,000 to $1,359,700,000, an increase of $69,500,000.

THE 1979 AMENDMENTS TO

The 1973 Reform of The Illinois General Purpose Grant-In-Aid System

1. Raise the per pupil guarantee under the Resource Equalizer from $1310 to $1363.

2. Eliminates end-of-year adjustments over a two-year period by doing away with two claims.

3. Allows full access to state aid under the Resource Equalizer (phased in over 3 years) for elementary districts at or above operating tax rate of $1.28 and for unit districts at or above $2.18.

4. Raises Strayer-Haig add-on from 50% to 75%.

5. Raises Title I basic weighting factor from .45 to .50 (maximum at .675).

6. Eliminates requirement for Title I plan from districts with pupil attendance under 1,000.

7. Repeals Section 18-4 (tax equivalent grants to districts wherein State institutions are located) on 7-1-81.

8. These amendments will be prorated at 99%.

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